



MINUTES
Economic Development Authority
February 16, 2021

CALL TO ORDER

The Economic Development Authority meeting was called to order at 5:02 pm.

Due to the COVID-19 health pandemic, the Long Lake Economic Development Authority attended the meeting telephonically pursuant to Minn. Stat. 13D.021.

Present: Chair: Jahn Dyvik; Vice Chair: Lori Goodsell; Board: Tim Hultmann, Mike Feldmann, Gina Joyce, Deirdre Kvale, and Charlie Miner

Staff Present: City Administrator/Executive Director: Scott Weske; and City Attorney: John Thames

Absent: None

PLEDGE OF ALLEGIANCE

APPROVE AGENDA

A motion was made by Miner, seconded by Hultmann, to approve the agenda. Ayes: all by roll call.

CONSENT AGENDA

- A. Approve Minutes of January 19, 2021 Economic Development Authority Meeting

A motion was made by Hultmann, seconded by Miner, to approve the minutes of the January 19, 2021 EDA meeting. Ayes: all by roll call.

OPEN CORRESPONDENCE

Executive Director Weske read aloud a letter received from Marty Schneider regarding the former BP site.

Board member Goodsell noted that the architect who had worked on the Village Design Guidelines had made some comments on the proposal Mr. Schneider is referring to and wanted to make sure the EDA all had a chance to see that in their e-mail.

Chair Dyvik responded that he had seen those and thought the comments received from Barry Petit can be used during the discussion of that proposal later on the agenda.

BUSINESS ITEMS

Verbal Update – Inquiry into BP Deed Restrictions, 1905 W Wayzata Boulevard Property

City Attorney Thames explained that at the last meeting he and Chair Dyvik had agreed to follow up with Croix Oil or BP to get some clarification on the deed restrictions for the 1905 W Wayzata Boulevard property and what flexibility there may be in getting some of them released. He reported that from the initial conversations he has had with the BP representative, they were receptive to a limited release for the purpose of getting the medical or dental restrictions removed with a few

qualifications such as them wanting to see that there be a restriction to not allow any overnight use of the site and requiring placement of a vapor barrier. He reiterated that BP did not have a major issue with releasing the dental restriction.

Chair Dyvik asked if there would be any issues with the current applicant's proposal.

Thames responded that the EDA would have to dive into that a bit more because he is not familiar with the specific construction plans. He explained that the restrictions BP conveyed the most concern about were related to residential use so he does not think the deed restrictions would be prohibitive for this application either. BP has expressed a willingness to work with an applicant as long as it isn't something that includes residential.

Chair Dyvik questioned if there was a set of restrictions that were coming off in a few months.

Thames clarified that there are two sets of restrictions: convenience store/petroleum competition; and environmental. The convenience store and competition restriction will be lifted on March 14, 2021. The environmental restrictions will carry on and have to be released by BP on a case-by-case basis.

Board member Joyce asked if there would be restrictions on mixed use types of proposals.

Thames explained that the original restrictions were very broad and gave the example of not being able to sell beverages on the site at one point. As part of the closing, they agreed to reduce those restrictions down to make them a bit more manageable, ultimately boiling down to not being able to put a competitive business there. He noted that he did not think anyone who would develop the site would need to worry about any of those anyway, because they will fade off next month.

Board member Feldmann asked about the comments made by Mr. Schneider about the possible pollution plume. He asked if the City has done what is necessary before someone can put a building in this location.

Chair Dyvik commented that the City had done some remediation to the site.

Executive Director Weske stated that when the building was removed, it was necessary to do some remediation under the building because of the traps underneath. There was also some remediation done in the area around the former tanks and believes it was generally to a depth of two to three feet with some spots up to 10 feet that were removed. The removal areas were then backfilled and compacted which is how the property sits today. He clarified that the understanding is that once it is sold, the liability moves to the new buyer.

Thames explained that a number of years ago the MPCA conducted a review of the site for stabilization, and they are not worried about ongoing intrusion or problems beyond the site. They did close the site as far as their review which means they are not presently taking any interest in it. As long as the soil is not disturbed, it is okay to use it as it is. When the City removed the building, the MPCA had a few requirements that related to the intrusion points such as the traps underground. They were satisfied with the work that was done and the site investigation was once again closed.

Board member Goodsell stated that she was confused by the letter from Mr. Schneider because she thinks the purchase happened after his term as Mayor expired. She indicated that the EDA did respond to the pollution aspects of the site and did conduct cleanup. She added that the EDA has already done a lot work on this site and perhaps Mr. Schneider does not understand those details.

Board member Feldmann noted that it sounds like the on-site and off-site issues have been handled as well as they could be.

Board member Hultmann affirmed that would be a correct statement.

Thames explained that the MPCA would designate the site as having contamination but when they 'close' the site, it means that to a certain degree, they are comfortable with the remediation efforts on site and that it is stable. If there are additional construction activities that will disturb the soils, the MPCA will want to have oversight of that, but it does not mean it is prohibitive of doing anything on the site. He noted that slab on grade construction will be required.

Chair Dyvik recalled that when the EDA initially started digging on this site the report was that the site was not as bad as was initially thought.

Application for EDA Review – 1905 W Wayzata Boulevard Property: Spell Capital Partners, LLC, Four-Story Commercial Office Building (Two Levels Above Ground Parking/Two Level 32,000 Square Feet of Office Space), Use for Company Headquarters and Lease to Corporate Tenants

Executive Director Weske noted that the proposal details, including cost estimates, have been included in the packet.

Michael Margulies with Valerian, LLC introduced himself and explained that they are the project management that works with Spell Capital Partners. The proposal is to develop an office building that will be multi-tenant, but will primarily serve as corporate headquarters for Spell Capital Partners who are currently located in downtown Minneapolis. The building has been conceived as being 66,000 square feet with four-stories constructed of stone and glass that would provide parking on-site. He explained that a project budget has been created based on the conceptual drawings. He noted that he has also spoken with Wenck, the MPCA, and has reviewed the file regarding the site. The MPCA has closed the file and is prepared to issue 'no action' letters with respect to the property and will issue 'no association' letters to both the City and the developer if this moves forward. He indicated that they would develop a contingency plan that will inform the MPCA what their plan would be if they would happen to encounter contamination on the site as part of the excavation.

Dean Dovolis, of DJR Architecture, Inc., gave an overview of their history and what types of projects they have completed. He noted that one project they have done is the Bridgewater Bank headquarters in St. Louis Park that should be pertinent, in terms of character, with tonight's proposal for Long Lake. He presented concept plans for the Spell Capital project that show the intent of what they would like to construct on this site. The building materials they are currently planning to use are stone and glass along with punched openings in order to give an idea of transparency. He indicated that they have worked with other environmentally challenged sites so the deed restrictions are not new to them, and he shared the example of many projects along France Avenue in Edina where they had worked with this same issue. He added that they are not fearful of the restrictions, but do understand them. He overviewed the proposed building layout and noted that they have worked hard at not having the enclosed parking be evident to the street.

Board member Goodsell commented that she loves how professional the proposal has been even though this is just a concept. She observed that she thinks it is a great idea to add office space to the City and support the restaurants and other retail. She noted that she is not necessarily opposed to the size of the building but would perhaps like it to be a bit shorter. Her overarching concern is that the City spent 12 to 18 months developing a design standard for the City and she feels that the residents are in favor of maintaining a 'village-like' character and having any new development blend

into the City. She reiterated that she likes the building, but does not like it in the City. She asked how willing the applicant would be to work with the City to meet the existing design standards.

Mr. Dovolis stated that they are willing to work with the City to meet the design standards and noted that he had not yet seen those standards. He added that what was presented was based on the wishes of Spell Capital. He confirmed that they could modify or soften the design based on the City's standards. He reiterated that they are not resistant to working within the City's design standards and this was just a first attempt at putting the project in front of the EDA.

Board member Goodsell clarified that she thinks the proposed building is beautiful, but does not meet the desired style for Long Lake.

Board member Hultmann suggested that the applicant take a look at the Red Rooster and Hair Envy and the buildings in between because those are the types of buildings that the City is referring to. He noted that there is also a building in Wayzata across from the post office on Minnetonka Avenue that looks a bit like what the City is looking for and noted that it also has ground level parking similar to what is being proposed tonight. He indicated that he does not have a problem with the height of the proposed building but suggested that the applicant take a closer look at the design standards and also take a look at the buildings he mentioned in order to make their proposal more palatable to the EDA.

Mr. Margulies stated that this type of guidance is very helpful for them.

Weske noted that he will forward the design standards to the applicant.

Board member Goodsell explained that the architect that the City used for the design standards reviewed this proposal. She asked if Mr. Dovolis would be open to taking a look at the feedback that architect made regarding how this project could meet the design standards.

Mr. Dovolis affirmed that he is open to seeing what idea that architect had about meeting the design standards.

Weske committed to forwarding the comments from Barry Petit to the applicant.

Board member Miner commented that he likes how the parking is being proposed and asked if the second floor would be leased to a tenant.

Mr. Dovolis responded that their idea is that this would be a subleased space that would have its own identity and could be medical or dental.

Board member Miner explained that there was a presentation last month from a local dentist who is also interested in this parcel. He questioned if the applicant had any communications with that individual about a potential partnership.

Mr. Margulies replied that he and Executive Director Weske have spoken about it and they are aware of the interest. He stated that they have not yet spoken with that individual, but if they proceed, they will have that conversation because it may be an excellent fit for the building. He noted that there may be the possibility for multi-corporate tenants in the building.

Chair Dyvik asked how many employees work for Spell Capital.

Mr. Dovolis indicated that due to COVID-19, a portion of the employees will most likely be tele-working, so it may be flex work for some of the employees and they would be unable to give a hard number at this time.

Chair Dyvik anticipated that based on the planned parking spaces, he would guess around 35 employees and there would also be visitor and subtenant parking.

Mr. Dovolis confirmed that will probably be very close.

Board member Miner stated that his preference would be that there is some sort of partnership with the local dentist for this building.

Board member Goodsell observed that she is unsure whether a partnership would work out because she believed the goal was for the dentist to own his own building. She noted that she cannot speak for him, but believed that his goal was not to be a tenant in a building.

Mr. Margulies indicated that the same was the impression he was given by Executive Director Weske and has communicated that to his client. He added that there may be a number of ways that this could be approached so multiple parties can be satisfied.

Mr. Dovolis noted that there may be a way to condominium-ize the space so that ownership could be possible.

Board member Joyce commented that the property is a prominent corner in the downtown and she would like there to be something incorporated that would give back a public use such as a coffee shop or grab and go establishment, and asked why Spell Capital chose Long Lake for their headquarters.

Mr. Margulies stated that much of the senior management and employees of Spell Capital live in the general western suburbs. The analysis by Spell Capital is that there would be a preference from all levels of the organization to work in Long Lake closer to where they live. He stated that in addition to a better commute, it would also give them a nicer environment to work in than what they currently have.

Board member Kvale questioned whether the EDA would like this to be more of a community building that is directed to services for the community rather than office space that may be a ghost space since the workers will be telecommuting. She wondered more about using it as a dental office and a restaurant, since it is in a historical main street area of the City. She stated that by her calculations the total parking requirement would be about 115 spots and the proposal only shows 58, which is quite a deviation. She asked if there would be a slab construction possible on this site.

Mr. Dovolis responded that the office will not be a ghost space and noted that they are planning to right size the building for the number of employees. He stated that the hope for some mixed uses, such as a coffee shop, starts to create the variety of community space to occur within the building which is why they have set up the building in a way so it can have mixed uses other than residential. He noted that he considers it a mixed function office building with retail. He indicated that the parking ratio will get more in balance when they right size the building as the plans get tighter. It is a sloped site so there will need to be some excavation in order to level the site, which is allowed as long as the soils are tested and dealt with properly.

Board member Feldmann asked how the parking requirements were computed.

Weske explained that the current Zoning Code related to office use requires one parking stall for every 250 square feet of office space.

Mr. Margulies stated that what they are finding as they develop these buildings is that the nature of the use and the underlying code requirements are sometimes a bit out of sync and may not reflect the reality of the market. He added that the parking will need to work well for both the owner and the tenants which creates a built-in check and balance system, meaning they would not try to build a building without adequate parking.

Board member Joyce asked if the building being mixed function would shift the parking stall requirement.

Weske stated that it may be possible mixed use would do so, but that would need a closer look.

Mr. Margulies noted that Weske has definitely communicated with them that parking downtown is already tight and they are committed to not adding to the existing problem and to take care of their own parking needs within the site.

Chair Dyvik echoed Board member Goodsell that this was an impressive presentation with the detail provided at the concept stage. He agreed with the suggestion that the applicant look at the Village Design Guidelines and noted that this is the landmark corner of the downtown and the EDA wants to make the right decision for what will be in this location. He stated that he likes their proposal and can see a toned-down version of the proposal in the City.

Board member Hultmann reiterated that he likes the concept of their proposal but would like to see them follow the design standards for the City and take a look at the buildings he mentioned earlier to see if they can massage the look of the building a bit.

Mr. Dovolis stated that he was hearing that the EDA was comfortable with them proceeding if they take a look at the Village Design Guidelines and address a few of those issues.

Mr. Margulies commented that Spell Capital has indicated they are willing to spend some time and resources in order to refine this concept in a way that matches the City's desires. He stated that they will take a look at some of the guidance given tonight, review the design standards and other buildings, and see if that matches the desires of Spell Capital. After that, they can refine the plans and bring it back for EDA review.

Chair Dyvik asked how soon that could be done.

Mr. Dovolis stated that they should be able to have that done by the next EDA meeting.

Discuss and Consider an Economic Relief Payment for 2021 On-Sale Intoxicating Liquor Licensees

Executive Director Weske recalled previous discussions surrounding possible economic relief payments for the on-sale liquor license holders within the City. He noted that the EDA Fund has a current balance around \$60,000 and staff is recommending that the EDA consider authorizing a \$3,100 economic relief grant payment for each of the City's 2021 on-sale intoxicating liquor licensees, which would be an amount equal to 50% of their license fee for 2021. He added that the total impact to the EDA Fund would be \$15,500.

Board member Joyce asked how staff came to the determination of 50%.

Weske indicated that staff was looking at an equitable amount, reflecting that some businesses had paid their fee in full already and some are using the installment plan.

Board member Joyce commented that she understands there were definite impacts to the businesses in 2020 due to COVID-19 and is glad the City assisted the businesses. She stated that 2021 appears to be trending upward and questioned why the City would consider giving this amount back for the upcoming year.

Weske pointed out that this was not a staff led proposal and the idea came from past discussions within the EDA and direction to staff. He noted that the dollar amount can always be adjusted according to the Board's desire.

Board member Goodsell explained some of the reasoning behind supporting this grant for local businesses. She noted that even if they are currently trending upward, there is an enormous hole for these businesses to dig out of because of what happened in 2020. She noted that the EDA has the money to be able to help these businesses.

Chair Dyvik stated that there are other businesses who were adversely affected by COVID-19 and thinks this should be focused on the months that the licensees were not able to sell alcohol for which they were paying a license fee in order to do. He noted that he doesn't think it should be based on trying to help businesses out because they can't make payroll, rent, and buy food because that is true of a lot of businesses.

Board member Goodsell indicated that a lot of restaurants are still at 50% capacity with no end in sight and these restaurants have been in that situation for 12 months.

Board member Kvale noted that she agreed with the earlier comment that these businesses are going to have to dig themselves out of a hole because of the impacts of 2020.

A motion was made by Hultmann, seconded by Goodsell, to approve an economic relief grant payment in the amount of \$3,100 to each of the City's 2021 On-Sale Intoxicating Liquor Licensees in the interest of providing financial assistance due to the impact of the COVID-19 pandemic, utilizing the EDA Fund as a funding source for the relief grant payment.

Chair Dyvik asked where the money would be allocated from the property sale when the former BP station site is sold.

Weske explained that funds from sale of both the Virginia Avenue and the BP site would go into this same EDA Fund.

Chair Dyvik expressed his support of the proposed relief grant payment.

Board member Joyce asked if the EDA Fund money was set aside for anything else or if it is just available and up for grabs.

Weske stated that there has been money in the EDA Fund for many years, he could not recall the original source of funds allocated to the account, but explained that it is available for this type of use.

Ayes: all by roll call.

OTHER BUSINESS

Board member Goodsell stated that when there is a big proposal for the EDA to consider, it may be helpful for the City to have Barry Petit involved on a contract basis for the type of review he provided for the proposal presented tonight. Chair Dyvik recalled that he had suggested in the past that Barry Petit be the City's architectural consultant. He added the problem is that you could talk to five different architects and get five different opinions, but noted that he respects Mr. Petit and believes he did a good job with the Design Guidelines survey.

Board member Joyce asked if the EDA had discussed goals for the former BP site for both short term and long term. She stated that she would like the EDA to be able to drive what they want and not just deal with what happens to come along. She added that there is a statement within the 2040 Comprehensive Plan which says the Metropolitan Council indicates that Long Lake is close to peak employment and it is not anticipated that any new office uses will be located in the downtown area. There is also a statement that says the goal of the downtown area is that a retail use be integrated when available. She stated that finding a proposal that is willing to have mixed function would be a win and she would not want to see the use of this corner be solely private.

Chair Dyvik stated that the Comprehensive Plan comment is more about the Metropolitan Council not requiring the City to have more office space.

Board member Kvale stated that she agrees with the comments made by Board member Joyce regarding the importance of the former BP site because it is important to the community as a whole. Just having it as a private office space and not giving the community anything is not necessarily what the EDA wants and she agreed that the EDA should not just be reacting to what comes in front of them. She would like there to be some long-term planning and discussion about what would be good for the community in this location.

ADJOURN

Hearing no objection, Chair Dyvik adjourned the meeting by general consent at 6:31 pm.

Respectfully submitted,
Scott Weske, Executive Director